



DERBY CITY COUNCIL

COUNCIL CABINET
13 MAY 2003

ITEM 10

Report of the Director of Education and Director of Finance

LICENSED DEFICITS FOR SCHOOLS' BUDGETS

RECOMMENDATION

1. To agree licensed deficits for Alvaston Junior Community School, Brackensdale Junior School and Sinfin Primary School, and to extend the licensed deficit for Boulton Primary School.

REASON FOR RECOMMENDATIONS

2. Under the Council's scheme for funding schools, schools usually have to set a balanced budget. However, schools may apply to set a deficit budget as long as there are good reasons for doing so, and that they can demonstrate that the budget will come back into balance no later than the end of the third financial year. Where staffing reductions are necessary, these can usually only take place from September, so any savings are not fully effective until the second financial year.

SUPPORTING INFORMATION

- 3.1 Alvaston Junior Community School have an estimated overspend of £40,000 at the end of the 2002/03 financial year, mainly because of long-term sickness costs and part-time workers pay arrears for non-teaching staff. They wish to apply for a deficit of £45,426 (5.0% of the school's budget) at the end of 2003/04, coming back into balance by the end of 2004/05. The school plans to reduce by two teaching posts – without any redundancy implications - from September 2003, and by one teaching post from September 2004, and also to make significant reductions in support staff hours this year.
- 3.2 Brackensdale Junior School is building up its pupil numbers in its enhanced resource facility for pupils with communication difficulties. The Council has agreed to increase the number of places funded, but this will now have to be added as a retrospective adjustment in 2004/05. The school wishes to apply for a deficit of £27,000 (4.1% of its budget) in anticipation of the budget increase in 2004/05. It would then come back into balance by the end of 2004/05.
- 3.3 Sinfin Primary School wishes to apply for a deficit of £6,111 (1.3% of its budget) at the end of 2003/04, with the budget coming back into balance by the end of 2004/05. It needs to reduce its staffing by 2 teaching assistants from September 2003.

- 3.4 Boulton Primary School had a licensed deficit approved in 2002. This allowed the school to have a deficit of up to £35,118. In fact, it has been able to make savings and will be in balance at the end of the 2002/03 financial year. However, pupil numbers are continuing to fall because of population changes in the area – from 380 in January 2003 to an estimated 338 in January 2004. The school has therefore applied for an extension of its approved deficit, which would be £8,988 (1.2% of its budget) and the budget would come back into balance by the end of 2004/05. The school needs to reduce its staffing by one teacher and one midday supervisor in September 2003.

OTHER OPTIONS CONSIDERED

4. It would be possible to insist that the schools set balanced budgets in 2003/04. However, that would result in unnecessary staffing reductions which could damage the schools' ability to deliver the curriculum.

For more information contact: Keith Howkins 716872 e-mail: keith.howkins@derby.gov.uk
Background papers: Applications from schools
List of appendices: Appendix 1 - Implications

IMPLICATIONS

Financial

- 1.1 Schools are normally expected to set a balanced budget. In particular circumstances a governing body can apply for a licensed deficit, provided that this would not exceed 5% of the school's budget and that the school can demonstrate that it is able to return to a balanced budget no later than the end of the third financial year. The schools with licensed deficits approved in previous years are being monitored and are all on course to balance their budget within the agreed timescales. Indeed, Nightingale Junior School does not now need to extend its deficit into 2003/04, while Merrill College will not be in deficit at the end of 2002/03.
- 1.2 The Council pays interest on school balances. No charges are made to schools in deficit, so the cost of interest foregone for these schools falls on the Treasury Management budget, which in turn may impact on the budgets of service departments
- 1.3 The school budget plans are based on their projections of future pupil number trends and also on assumptions about the overall budget in the short and medium-term. If these turn out differently, then the schools would need to adjust their plans accordingly

Legal

2. The procedures for approving licensed deficits are set out in the Council's scheme for funding schools, which has been approved by the Department for Education and Skills, following consultation with schools.

Personnel

3. School governing bodies are responsible for making staffing decisions. Where staffing reductions are necessary, the Education Service will make every effort in consultation with trade unions to find suitable alternative employment for staff. This can only be achieved with the co-operation of other governing bodies.

Corporate Themes and Priorities

4. Licensed deficits link to the corporate theme of "value for money", as they enable schools in financial difficulties to plan their budgets sensibly over more than one financial year. The main corporate priority is "improving children's and young people's prospects", and it is essential that budget reductions can be made with minimum impact on curriculum delivery.